



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 10, 2005

H.R. 2566 **Surface Transportation Extension Act of 2005**

*As cleared by the Congress on May 26, 2005, and
signed by the President on May 31, 2005*

SUMMARY

H.R. 2566, enacted as Public Law 109-14, extends through June 30, 2005, the programs authorized by the Transportation Equity Act for the 21st Century (TEA-21), including the Federal-Aid Highway program, highway and motor carrier safety programs, and transit programs. For those programs, H.R. 2566 sets the level of contract authority (the authority to incur obligations in advance of appropriations) at \$32.7 billion in for the nine-month period from October 1, 2004, through June 30, 2005. Previously, almost \$29 billion in contract authority was available for the eight-month period ending May 31, 2005.

Consistent with the baseline construction rules in the Balanced Budget and Emergency Deficit Control Act, CBO assumes that funding provided for the first nine months of fiscal year 2005 will continue at the same rate through the rest of year and that funding will continue at the same rate in each of the following years. Hence, under this law, CBO projects about \$261 billion in contract authority over the 2005-2010 period. That funding level represents an increase of \$1.1 billion above amounts projected over the 2005-2010 period in the CBO March 2005 baseline and about \$2.1 billion above the amounts projected over the 2005-2015 period.

CBO expects that most spending from those programs will be controlled by limits on annual obligations set in appropriation acts. Consequently, the changes in total contract authority would not affect mandatory outlays. H.R. 2566 also does not affect revenues.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO's estimate of the impact of H.R. 2566 on direct spending is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN DIRECT SPENDING											
Estimated Budget Authority	187	187	187	187	187	187	187	187	187	187	187
Estimated Outlays	0	0	0	0	0	0	0	0	0	0	0

BASIS OF ESTIMATE

H.R. 2566 specifies a level of \$32.9 billion in contract authority, a form of mandatory budget authority, for the first nine months of fiscal year 2005; however, the Consolidated Appropriations Act, 2005 (Public Law 108-447), included an across-the-board cut of 0.8 percent to budget authority for fiscal year 2005, including any contract authority subject to obligation limitations in that act. This provision reduces the amount of contract authority under H.R. 2566 to about \$32.7 billion.

The Balanced Budget and Emergency Deficit Control Act specifies that an expiring mandatory program with current-year outlays in excess of \$50 million be assumed to continue at the program level in place when it is scheduled to expire. Following this assumption, under H.R. 2566, CBO projects almost \$43.5 billion in contract authority for the surface transportation programs each year beginning with 2005. That amount was estimated by annualizing the nine-month figure specified in H.R. 2566.

CBO's March 2005 baseline projects annual contract authority of about \$43.3 billion for surface transportation programs. Thus, H.R. 2566 increases the contract authority in the baseline projection by \$187 million for each year over the 2005-2015 period. Because most spending from that contract authority will be controlled by limits on annual obligations set in appropriation acts, the change in the projected contract authority has no effect on projected outlays.

TEA-21 exempts certain portions of the Federal-Aid Highway program from the obligation limitations set in appropriation acts, resulting in mandatory outlays. H.R. 2566 continues this policy for the Minimum Guarantee portion of the program and exempts about \$479 million

from any limitation on obligations. CBO assumes that this exemption continues at the same rate through the rest of fiscal year 2005 and in each of the following years. After annualizing that amount, CBO projects that, under H.R.2566, \$639 million of contract authority will be exempt from any obligation limitation in 2005 and in each of the following years. That sum is equal to the baseline level of exempt contract authority for the Minimum Guarantee Program; thus, H.R. 2566 will not affect outlays from direct spending relative to the baseline.

PREVIOUS CBO ESTIMATE

On October 13, 2004, CBO transmitted an estimate of the direct spending effects of H.R. 5183, the Surface Transportation Extension Act of 2004, Part V (Public Law 108-310). That act provided \$2.7 billion of contract authority for fiscal year 2004 and \$29.1 billion for the eight-month period from October 1, 2004, through May 31, 2005. The amount of contract authority for 2005 was subsequently reduced to \$28.9 billion by the Consolidated Appropriations Act, 2005 (Public Law 108-447). H.R. 2566 supplements that total with additional contract authority of about \$3.8 billion for the month of June.

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